

Message Text

SECRET

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ACTION SS-25

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FM AMEMBASSY KABUL
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AMEMBASSY TEHRAN

S E C R E T KABUL 0412

EXDIS

E.O. 11652: GDS
TAGS: ECIN, ETRD, IN, IR, PK, AF, UR
SUBJECT: INDIAN OCEAN "COMMON MARKET"

REFS: A. TEHRAN 00198, B. ISLAMABAD 00297

1. I AGREE WITH AMBASSADOR HUMMEL (REF B) THAT THE SHAH'S
IDEA FOR SOME KIND OF REGIONAL "COMMON MARKET" IS CONSTRUCTIVE
AND, IF ACHIEVED, WOULD ASSIST OUR INTEREST IN BETTER REGIONAL
COOPERATION. LIKE AMBASSADOR HUMMEL, HOWEVER, I AM SKEPTICAL
THAT CONCRETE RESULTS WILL EMERGE, AT LEAST AS FAR AS AFGHANISTAN
IS CONCERNED.

2. AFGHANISTAN WILL ALMOST CERTAINLY HAVE NO INTEREST IN SUCH
AN ARRANGMENT IF IT IS CLEAR THAT IT IS IRANIAN SPONSORED.
THE AFGHANS WOULD REGARD SUCH A PROPOSAL AS AN ATTEMPT TO
ESTABLISH A GREATER-IRANIAN CO-PROSPERITY SPHERE OF WHICH,
FOR LONGTIME POLITICAL AND CULTURAL REASONS, THEY WOULD WANT
NOT PART.

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3. IF INDIA WERE TO LEAD THE MOVEMENT FOR SUCH A "COMMON
MARKET," THE IDEA MIGHT HAVE MORE APPEAL TO THE AFGHANS THAN
THE OLDER AND ABORTIVE NOTION OF INCLUDING AFGHANISTAN IN THE
IRAN-TURKEY-PAKISTAN RCD. BUT THE AFGHANS WOULD WEIGH CAREFULLY
WHETHER JOINING SUCH A GROUPING WOULD DETRACT FROM THEIR
TRADITIONAL NONALIGNMENT, WHICH HAS BEEN THE BASIS OF THEIR

INDEPENDENCE, AND WHETHER IT WOULD CONTRIBUTE TO THAT INDEPENDENCE, TO PROGRESS IN RESOLVING THE PUSHTUNISTAN DISPUTE TO THEIR SATISFACTION, AND TO ECONOMIC BENEFITS. AFGHAN SKEPTICISM ON ALL THESE POINTS WILL BE HARD AND MOST LIKELY IMPOSSIBLE TO OVERCOME.

4. THE SHAH IS ONE HUNDRED PERCENT CORRECT (REF A) THAT AFGHANISTAN WOULD JOIN ONLY IF THE U.S. REMAINS COOL OR INDIFFERENT.

5. AS MY TEHRAN AND ISLAMABAD COLLEAGUES KNOW, THE IDEA OF A REGIONAL COMMON MARKET IS NOT NEW. THE THREE RCD COUNTRIES HAVE BEEN ENDEAVORING FOR HALF A DECADE TO SET UP A COMMON MARKET, WITH SO FAR LIMITED RESULTS. CONCURRENTLY, ESCAP IN BANGKOK HAS BEEN TRYING WITH EVEN LESS PROGRESS TO ESTABLISH A SIMILAR ARRANGEMENT FOR A MUCH LARGER GROUPING OF ASIAN COUNTRIES. AND SOME YEARS EARLIER, AGAIN UNDER ESCAP AUSPICES, THERE WAS AN ATTEMPT TO SET UP AN ASIAN PAYMENTS CLEARING UNION WHICH SCHEME NEVER LEFT THE GROUND. THE PRINCIPAL OBSTACLES ALWAYS SEEM TO BE PROTECTIONISM AND EXCESSIVE NATIONALISM. MOST OF THE COUNTRIES MAIN TAIN EXTENSIVE BARRIERS TO TRADE: EXCHANGE CONTROLS, LONG LISTS OF PROHIBITED IMPORTS, AND OF COURSE A HOST OF INFANT INDUSTRIES REQUIRING PROTECTION. MANY OF THE ECONOMIES ARE ALSO MORE COMPETITIVE THAN COMPLEMENTARY. ALL WANT TO INDUSTRIALIZE RAPIDLY AND FEAR THAT THE ECONOMICALLY MORE ADVANCED COUNTRIES IN THE REGION WOULD HAVE, UNDER ANY
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FREE-TRADE ARRANGEMENTS, SUCH A HEAD START AS TO HINDER THE CAPABILITY OF THE OTHERS TO CATCH UP. IT IS ALSO MY IMPRESSION THAT THE DEPARTMENT HAS BEEN VERY CAUTIOUS ABOUT ENDORSING REGIONAL COMMON MARKET SCHEMES FOR FEAR THAT THE END RESULT WOULD BE TO RAISE FURTHER TRADE BARRIERS AGAINST AMERICAN PRODUCTS.

6. THUS, I AGREE WE SHOULD VERY MUCH STAY ON THE SIDELINES OF THE SHAH'S PROPOSAL.
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